

**DRAFT**

**AGENDA ITEM #5307**

**WATER/FLC/SNR/PTL/HJL/jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION**

**RESOLUTION W-4586**

**February 16, 2006**

**R E S O L U T I O N**

**(RES. W-4586), CALIFORNIA WATER SERVICE COMPANY,  
(California Water) SELMA DISTRICT. ORDER AUTHORIZING  
RATE BASE OFFSET REVENUE INCREASE OF \$244,243 OR  
10.5%.**

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**SUMMARY**

By Advice Letter No. 1748 filed October 20, 2005 **and supplemented on**  
\_\_\_\_\_ **by 1748-A**, California Water seeks to increase rates by  
\$251,050 or 10.7% to recover the amount resulting from a rate base offset in its  
Selma District. The increase will not result in a rate of return greater than last  
authorized for California Water.

**BACKGROUND**

California Water is a Class A water utility currently providing water service to  
approximately 2,798 customers in Selma, Fresno County.

California Water requests authority under Section VI of General Order No. 96-A  
and Section 454 of the Public Utilities Code to increase rates to offset the cost  
associated with capital improvements put into service in 2005. Project 7011 main  
replacement costs \$290,000 and Project 2496 pumped storage facility costs  
\$1,391,402. The revenue requirement for both projects is \$251,050 or 10.7%. This  
advice letter is filed in accordance with Decision (D.) 04-04-041.

California Water's present rates became effective on **January 1, 2006**, pursuant to D.04-04-041 that authorized a step rate increase producing an increase in annual revenue of **\$18,400** or 0.80%.

**The utility had filed a supplement to include the step increase authorized on January 1, 2006.**

### **NOTICE AND PROTESTS**

Because this advice letter seeks an increase greater than 1%, California Waters' noticed all Selma customers by a special mailing. The affidavit of mailing was received by the Branch on November 2, 2005.

### **DISCUSSION**

This Advice Letter is filed in accordance with **D.04-04-041**, Ordering Paragraph 6 which states,

"CWS is authorized to file advice letter rate base offsets to recover the reasonable capital costs of the improvements enumerated in the settlement, Attachment A, at Sections 2.40-2.48. Attachment A, Paragraphs 2.40-2.48 includes the approved description and scope of each project, the estimated cost, and the cap on project costs allowable in the advice letter filing, if any. The Water Division shall use these factors in its review of each advice letter.

The settlement enumerates the following regarding two advice letter projects in the Selma District:

- 2.32 ORA and Cal Water now agree on an advice letter filing for Project 7011, a 2003 main project in Selma, to improve service. Originally, Cal Water was required to provide additional justification for the project in an advice letter, but after discussing the issue during settlement, the parties agreed ORA had now received enough information to justify the project. ORA continue to recommend this project as an advice letter filing because of its high cost relative to the rest of the Selma project. However, ORA propose a cap on the project cost of \$290,000. This cap represents the estimated

capital cost of the main replacement plus a five-percent contingency. Cal Water does not originally estimate with a provision for contingencies.

- 2.47 In its report on Selma, ORA recommended that the 2003 project for a pumped storage facility and backup generator for \$962,500, including equipment and land, should be recovered through an advice letter. Selma currently has adequate overall supply but may have problems with peak demands. The pumped storage facility will help meet peak demands and fire flows without additional supply. Cal Water agrees that due to uncertainty over timing, this project's cost should be recovered through an advice letter."

California Water has completed project 7011 which was subject to an advice letter cap as described in the settlement of \$290,000. Project 2496 was originally budgeted \$962,500. However according to the utility, the City of Selma specified that the original tank site could not be used because of zoning restrictions. The City did not want to put a water tank in close proximity to a commercial shopping mall. Because of this restriction California Water's and other cost overruns, the final construction costs resulted in an expenditure of \$1,391,402 a cost overrun of \$428,902.

The Branch investigated these cost overruns and found that they were appropriate. The only adjustment the Branch made was to remove from rate base the unused portion of the original tank site which lies vacant. On it is a well and pump station building which is presently in service. The square footage of the building is 480 sq ft and the entire site is 198 ft. by 220 ft. or 43,560 sq. ft. By removing the unused portion of the site and allowing access, by  $\frac{1}{4}$  acre for prorating the area the Branch arrived at an adjustment of \$75,000 (original cost)  $\times$   $(43560 - 10890) / 43560$  or \$56,250. This translates into a combined new rate base offset of \$1,335,152 ( $\$1,391,402 - \$56,250 = \$1,335,152$ ). The revenue requirement for these two projects is \$244,243 or a 10.5% increase.

Service by California Water is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective actions. The utility has been filing annual reports as required.

California Water-SD's current rate structure consists of one rate schedule: Schedule No. SL-1, General Metered Service. The bill for an average residential customer using 20 Ccf (One Ccf is equal to one hundred cubic feet) of water per

month with a 5/8 x 3/4-inch meter, will increase from \$21.58 to \$23.85 which is \$2.27 or 10.5%.

### **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **FINDINGS**

1. California Water Service Company has completed Project 7011 which was subject to an advice letter cap as described in the settlement of \$290,000.
2. Project 2496 was budgeted for \$962,500.
3. The City of Selma put a restriction for on original tank site.
4. California Water Service Company purchased a new tank site and experienced a final construction cost of \$1,391,402, a cost over run of \$428,402.
5. The cost for the original unused portion of the site is approximately \$56,250.
6. The revised rate base offset for Project 2496 is \$1,335,152.
7. The Commission finds, after investigation by the Division, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable.
8. This is an uncontested matter subject to the public notice comment exclusion provided in PU Code Section 311 (g) (2).

**THEREFORE IT IS ORDERED THAT:**

1. California Water Service Company, Selma District, is authorized five days after the effective date herein, to make effective the revised rate Schedule No. SL-1, General Metered Service, attached to Advice Letter No. 1748 and **supplemented by Advice Letter No. 1748-A**, and to concurrently cancel the presently effective rate schedule.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on February 16, 2006; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

